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County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

June 25, 2010

To: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer 

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

STATUS ON MAY 18, 2010 BOARD MOTION – BRINGING CONTRACTED SERVICES IN-HOUSE TO MITIGATE COUNTY WORKFORCE REDUCTIONS

On May 18, 2010, on motion of Supervisors Ridley-Thomas and Molina, your Board directed the Chief Executive Officer (CEO) to develop a comprehensive list of County health, mental health, and social services currently provided through contractors, which would be impacted by the Governor's May Budget Revision (May Revise). In addition, your Board requested an analysis of bringing the impacted contract services in-house, in the event the May Revise is implemented.

Based on the Board's discussion related to this motion, our Office will report on the feasibility of bringing in-house the continuing contracted services for the purpose of offsetting potential County workforce reductions. To provide the information in a timely manner, we will narrow our review and focus the report on the Departments of Public Social Services (DPSS) and Public Health (DPH) as phase one.

The May Revise included the elimination of the CalWORKs program, an act that would have a devastating effect on children and families in the County who depend on the services this vital program provides. The program's elimination would impact services provided not only by DPSS, but by DPH as well.

Through DPSS, the CalWORKs program currently has contracts to provide participants with employment, training, case management, homeless, and domestic violence services, as well as child care for parents who are working or participating in an education program or other welfare-to-work services. Through contracts administered by DPH's Substance Abuse, Prevention and Control Unit, CalWORKs participants currently receive substance

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abuse assessment, referral, outpatient counseling, crisis intervention, treatment, detoxification, recovery, case management, and residential treatment services. The May Revise would eliminate all of these services.

The May Revise also includes the elimination of the Drug Medi-Cal program in DPH. DPH administers the program on behalf of the State through contracted providers for counseling and recovery services, narcotic treatment, crisis intervention, and referral services to eligible Medi-Cal beneficiaries, including youth and pregnant and postpartum women.

It must be noted that there is little support for these draconian cuts in the legislature. The Senate and Assembly rejected the May Revise proposals to eliminate CalWORKs and the Drug Medi-Cal program. However, in addition to rejecting the Governor's proposal to eliminate the CalWORKs programs, the Assembly has proposed to restore \$300 million for the CalWORKs Single Allocation which funds CalWORKs services. Therefore, this issue is still under consideration by the Budget Conference Committee.

Within 30 days, our Office will provide your Board with an analysis of the costs and benefits of mitigating potential workforce reductions in DPSS and DPH by bringing in-house currently contracted services unaffected by the actions included in the May Revise.

If you have any questions or need additional information, please contact me, or your staff may contact Kathy House, Acting Deputy Chief Executive Officer at (213) 974-4530 or khhouse@ceo.lacounty.gov.

WTF:BC:KH
DS:JB:cvb

Attachments

c: Executive Office, Board of Supervisors
County Counsel
Public Health
Public Social Services



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WILLIAM T FUJIOKA
Chief Executive Officer

July 29, 2010

To: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name of the Chief Executive Officer.

Board of Supervisors
GLORIA MOLINA
First District

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RESPONSE TO MAY 18, 2010 BOARD MOTION – BRINGING CONTRACTED SERVICES IN-HOUSE TO MITIGATE COUNTY WORKFORCE REDUCTIONS

On May 18, 2010, on motion of Supervisors Ridley-Thomas and Molina, your Board directed the Chief Executive Officer (CEO) to develop a comprehensive list of County health, mental health, and social services currently provided through contractors, which would be impacted by the Governor's May Budget Revision (May Revise). In addition, your Board requested an analysis of bringing the impacted contract services in-house in the event the May Revise is implemented.

Our June 25, 2010, status update reported on the services in the Departments of Public Social Services (DPSS) and Public Health (DPH) that could be impacted by the May Revise. We also informed you that we would report on the feasibility of bringing in-house the continuing contracted services for the purpose of offsetting potential County workforce reductions.

The May Revise proposed the elimination of the CalWORKs program. The loss of CalWORKs and the associated funding would result in the reduction of approximately 4,321 positions in DPSS. Our Office worked with DPSS to determine the number of these potential layoffs that could be mitigated by bringing currently contracted services in-house utilizing staff that would otherwise be laid off.

The analysis consisted of the following actions:

- Reviewing all contracts and determining which contracted services could be brought in-house, and the appropriate level of DPSS staff that would be needed to perform these services;
- Determining the portion of each contract that consists of direct services that cannot be reduced;
- Identifying contracted services that can be reduced to achieve savings and fund staffing; and
- Determining contracted services that can be eliminated to achieve savings and fund staffing.

The analysis revealed that of the 4,321 impacted DPSS positions, 353 could be utilized to perform services brought in-house. Bringing the services in-house would be cost neutral as the \$27 million cost of the positions would be fully funded by the reduced contracted services. Over half of the positions would be used to provide General Relief Opportunities for Work, Call Center, and Refugee Employment Program services.

Our Office also worked with DPH to review their Substance Abuse Prevention and Control (SAPC) Division's substance abuse prevention and treatment services to determine if potential layoffs could be mitigated by bringing these contracted SAPC services in-house.

The review included prevention and treatment programs whose funding would not be impacted by the May Revise, but excludes the Driving-Under-the-Influence programs whose provider base is regulated by mandate. Of the programs considered, and based on data from fiscal year 2008-09, SAPC contracted with 162 community agencies at a cost of \$111 million to provide substance abuse prevention and treatment services at 159 sites. Bringing these contracted services in-house with the same geographic coverage, maintaining the current service level, and covering each of the 30 service modalities, would require approximately 3,451 County employees at an estimated operating cost of \$267 million. The estimated cost is based on provider spending trends as well as the estimated salary and employee benefits of comparable County items as determined by SAPC.

Bringing these SAPC contracted services in-house would also result in logistical issues. The County would need space for treatment facilities, including appropriate space for residential treatment. Therefore, there would be additional costs associated with obtaining space and preparing the sites that is not included in the \$267 million operating cost estimate. In addition, employees utilized to work in substance abuse treatment

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facilities would need training and must meet the associated licensing and certification requirements.

In summary, our analysis indicates that if the May Revise proposals are enacted, DPSS would lose the funding for 4,321 CalWORKs positions. The County would then have the option to retain 353 of these positions, at no additional cost, by reducing or eliminating existing contracted services and bringing them in-house. However, as noted above, bringing these SAPC contracted services in-house would result in significant logistical and possibly prohibitive issues.

If you have any questions, please contact me, or your staff may contact Kathy House, Acting Chief Executive Officer, at (213) 974-4530 or khhouse@ceo.lacounty.gov.

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c: Executive Office, Board of Supervisors
County Counsel
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MRT – GM May 18 2010 motion – July 26 response doc